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ST. STEPHEN NICKEL MINES LIMITED

(NO PERSONAL LIABILITY)



SHAREHOLDERS' REPORT

NOVEMBER, 1959



ST. STEPHEN NICKEL MINES LIMITED

SHAREHOLDERS'

REPORT

Officers

PAUL CORBIN *President*
ANDRE BECHARD *Secretary-treasurer*
JOHN ADASKIN *Managing-director*

Directors

PAUL CORBIN ANDRE BECHARD
JOHN ADASKIN A. D. GERRA

Registrar and Transfer Agent

The Eastern Trust Company
111 Prince William
Saint John, N. B.

Bankers

The Royal Bank of Canada
22 King Street,
Saint John, N. B.

Auditors

H. P. Nadeau, C.A.
5165 West Sherbrooke
Montreal, Que.

Head Office

19 Market Square,
Saint John, N. B.

Mine Office

2 Veazey St.
St. Stephen, N. B.



PAUL CORBIN,
President

November 13, 1959.

To the Shareholders
St. Stephen Nickel Mines Ltd.

Such excellent progress has been made at the mine since our annual report to you this past summer, that the Directors felt an up-to-date report should be prepared.

I have asked my fellow Director, Mr. John Adaskin, to discuss the progress in a general way and to comment on the projected earnings, and our Secretary-Treasurer, Mr. André Béchar, to outline the up-to-date financial picture of your Company.

As well, your Directors have arranged to bring you the up-to-date Engineering picture. You will read reports from Mr. H. J. Bergmann, P. Eng., our Chief Consultant Engineer, Mr. Bert Bourgoin, our resident Geologist, Mr. K. D. Thomson, our resident Engineer, and Mr. R. F. Fry, President of R. F. Fry & Associates, who are shaft sinking specialists.

We believe that the Shareholders will be more than happy with results to the present time.

Please feel free to write to me should you desire any further information concerning your Company.

Respectfully submitted

Paul Corbin,
President.



November 12, 1959.

JOHN ADASKIN,
Managing Director

To the Shareholders
St. Stephen Nickel Mines Ltd.

In view of the recent reports by our Consulting Engineer, H. J. Bergmann, and the excellent progress made to date, it might be of interest to review the over-all projected plan of operations and perhaps indulge in a few cultivated guesses as to our possible earnings.

As you know, the entire mining plant has now been installed, the power transformers have been delivered by the New Brunswick Hydro-Electric Power Commission and the shaft contractors, Fry & Associates, have commenced the second stage of their operations — the sinking of the main shaft to the 300 ft. level. Once this level is reached, drifting will take place to intercept the ore body on the Rogers Farm Zone — a mere 150 ft. to the west. When that zone is reached and mining commenced, drifting will then start from the shaft to the Hall-Carroll Zone, perhaps 1,500 ft. toward the southeast.

The next decision to be made concerns the type and capacity of production equipment. In his report of August 4, 1959, Mr. Bergmann states that concentration tests have been arranged with the Dominion Bureau of Mines, Ottawa and investigations are concurrently being made regarding the Strategic-Udy smelting process. It should be stressed that whichever system we employ, the end result must be toward the highest earning per share of Company stock outstanding. In other words, where a 500-ton mill or concentrator could earn X dollars per share per annum, a larger unit of perhaps 2,000 tons per day capacity might show four or five times the net earning. True, the capital expenditure is initially greater for the larger unit but the long view must be taken if we are to show substantial profits.

In Mr. Bergmann's later report, November 3, 1959, he states that studies are being made on methods of having a completely integrated operation at the mine site to produce several by-products from the ore concentrates. This is most commendable, if feasible, as it would enable us to mine lower grades established by our diamond drilling, thereby adding **considerably** to our reported ore reserves. Perhaps the suggestion made at our meeting six months ago that a **completely** integrated operation include the **fabrication** of our mining products doesn't seem too advanced now in view of the above suggestion from our engineers and the ready availability of intelligent manpower right at St. Stephen.

It is of great interest that in the financial pages of the press, November 10, 1959, International Nickel reported that it almost doubled its profits in the first nine months of this year. In their report to shareholders, Chairman J. F. Thompson and President, H. S. Wingate said:

"The increased earnings for the first nine months of 1959 resulted primarily from the greater demand for nickel and the improved market price for copper, as well as an increase in the deliveries of platinum metals."

Mr. Thompson further stated that a new nickel alloy steel has been developed and has been adopted for the design of ultra-high-strength parts in jet aircraft. The steel is also being considered to meet the urgent need of the missile industry for such high-strength material.

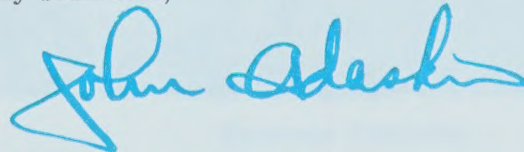
The above is especially good news for us as we are in a perfectly flexible state and can perhaps swing our production as the market warrants in order to take advantage of the uprising market prices. One headline prefaced the International Nickel reports with

GREATER NICKEL DEMAND,
HIGHER COPPER PRICES
BOOST INCO EARNINGS

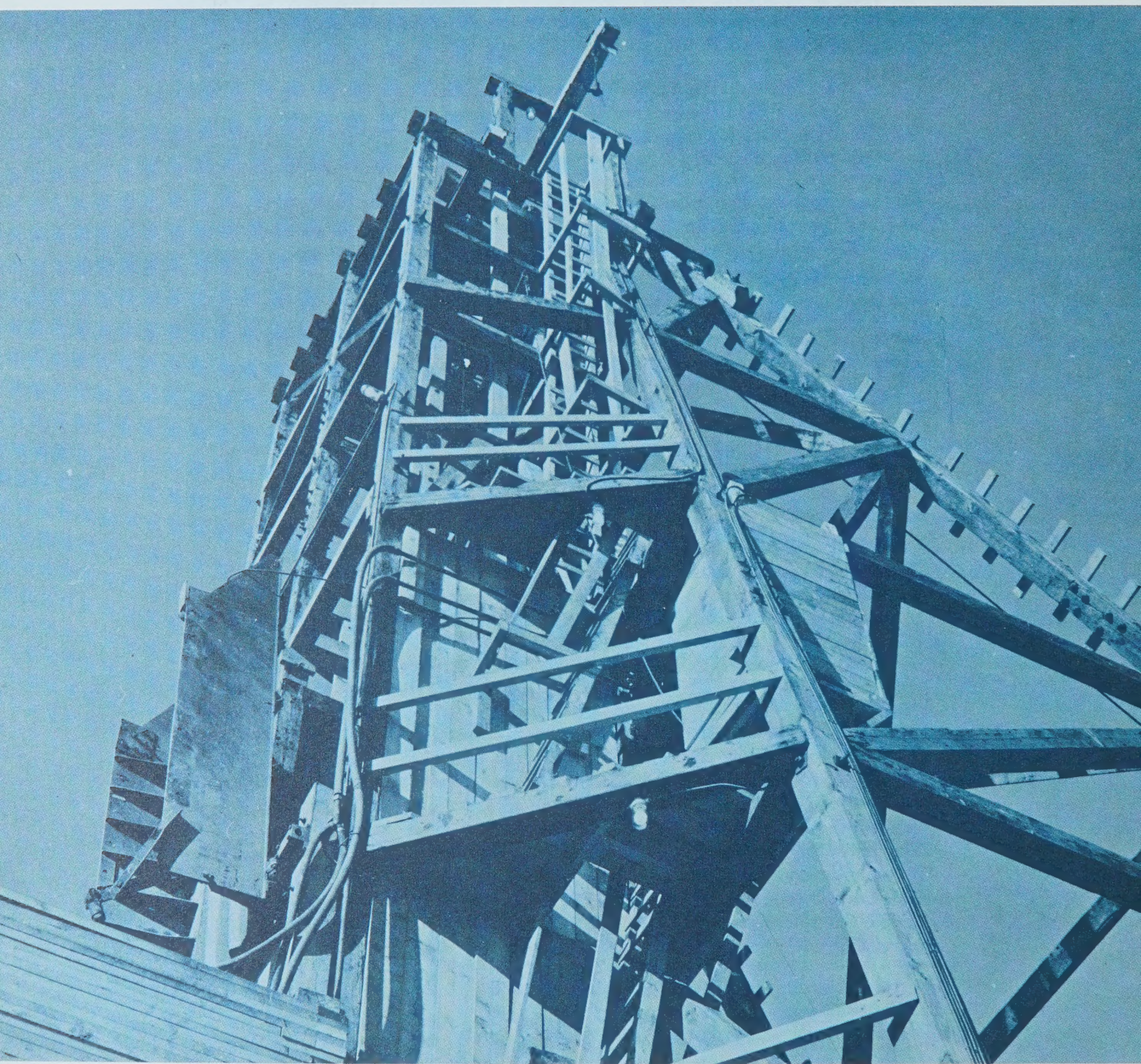
Let us try to estimate **our** possible earnings. In our Engineer's report of August 4, 1959 our mining costs were estimated at \$6.00 to \$8.00 per ton. The indicated grade was then stated to be approximately \$19.00, with estimated smelter return of \$14.00. This figure seems most conservative but preferable to unrealistic and optimistic estimates. If, as suggested in that same report, a probable profit margin of \$7.00 per ton is indicated at these conservative estimates, it is conceivable that with a fully-integrated operation a profit margin of \$8.00 or \$9.00 per ton is not too optimistic.

Using an average of \$8.00 per ton profit, an estimated 2,000 ton per day operation could show a profit over expenses and before taxes of \$16,000 per day or better than \$4,000,000 per annum on a five-day week. This figure could, of course, be much greater, depending on the extent of our operations beyond the raw material state and the sizes of our various ore bodies. The latest development on the eastern portion of our property may mean that similar conditions are repeated geologically and that another Rogers & Hall-Carroll type of deposition awaits our eager development. This could double our present reserves and even warrant another concentrator, thereby increasing our profit margin proportionately.

Respectfully submitted,



John Adaskin,
Managing Director



St. Stephen's Head-Frame November 12, 1959.



ANDRÉ BECHARD,
Secretary-Treasurer

November 13, 1959.

To the Shareholders
St. Stephen Nickel Mines Ltd.

When you peruse the enclosed audited balance sheet, you will notice that your Company is in a sound financial position.

Expenses have been unusually heavy during the past couple of months due to our payments for the many items of machinery and equipment required for an underground operation of this caliber.

Sufficient funds are now on hand to cover all financial commitments until the end of our fiscal year. Additional funds for further underground work, building of the mill, etc., have been provided for through a contract signed by your Company with an underwriting group.

You will note that our Managing-Director states that your Company: "could show a profit of better than four million dollars per annum." In view of the fact that there are presently outstanding only 3,558,103 shares, it is readily apparent, that even with the further financing required to bring the mine into production, earnings per share are expected to be quite substantial.

Fortunately, under Canadian tax laws, your Company's earnings are completely exempt from taxation for the first 3½ years of production. In addition, there are no capital gains taxes in Canada.

Your Directors look forward to a successful financial future for your Company.

Respectfully submitted

André Béchard,
Secretary-Treasurer

ST. STEPHEN NICKEL

(NO PERSONAL ACCOUNTS)

BALANCE SHEET AS AT OCTOBER 15, 1959

ASSETS

Current Assets:

Cash and Bank	96,392.61	
Advance Payroll	2,199.80	98,592.41

Fixed Assets:

Mining Claims:

Acquired for a consideration of 1,500,000 shares of \$1.00 each at a discount of 90%	150,000.00	
Acquired for cash	3,000.00	153,000.00

Properties:

Land, Building Construction, Headframe, Shaft, Hoist, Machinery and Electric Power	116,249.95	
Diamonds, Drills, Cores and Supply House	6,137.41	122,387.36

Deferred Expenditures:

Development and administrative Expenses — Schedule A	103,703.23		
Development Expenses — Schedule B	187,822.13		
Development Expenses — Schedule C	25,154.44		
Organisation Expenses	3,250.00	319,929.80	595,317.16
			<u>\$693,909.57</u>

Approved on behalf of the Board of Directors.

PAUL CORBIN, Director,

ANDRE BECHARD, Director.

November 17, 1959.

AUDITORS' REPORT TO THE SHAREHOLDERS

To The Shareholders,
St. Stephen Nickel Mines Ltd. (N.P.L.)
Saint John,
New Brunswick.

Gentlemen:

I have examined the Balance Sheet of ST. STEPHEN NICKEL MINES LTD., (N.P.L.) and have required.

A certificate to the effect that all liabilities have been included, was given to me, by a duly qualified accountant. I report that in my opinion the attached Balance Sheet of ST. STEPHEN NICKEL MINES LTD. presents a true and correct view of the state of the affairs of the Company at October 15, 1959 according to the requirements of the Companies Act of the Province of New Brunswick.

Montreal, November 17, 1959.

EL MINES LTD.

ABILITY)

OCTOBER 15, 1959

LIABILITIES

Current Liabilities:

Accounts payable	30,273.94	
Loan and Advances	840.00	31,113.94

Capital—Stock:

Authorized:

5,000,000 shares at \$1.00 par value	5,000,000.00	

Issued and Fully Paid:

For properties —		
75,000 shares at \$1.00 par value	75,000.00	
For Mining Claims —		
1,500,000 shares at \$1.00 par value	1,500,000.00	
For Explorations as at August 30, 1957		
849,733 shares at \$1.00 par value	849,733.00	
For Organisation Expenses		
11,433 shares at \$1.00 par value	11,433.00	

	2,436,166.00	
Less: Discount thereon	2,172,957.77	263,208.23

Issued and Fully Paid:

For Cash		
1,121,937 shares at \$1.00 par value	1,121,937.00	
Less: Discount thereon	722,349.60	399,587.40

\$693,909.57

Subject to my report of this date.

H.-PAUL NADEAU,
Chartered Accountant.

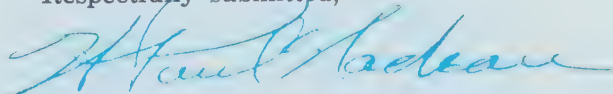
E SHAREHOLDERS

at October 15, 1959 and have obtained all the information and explanations which I

asible officer of your company.

LTD., (N.P.L.), as at October 15, 1959 is properly drawn up so as to exhibit a true
e best of my information and the explanation given to me and as shown by the books

Respectfully submitted,



H. PAUL NADEAU,
Chartered Accountant.

ST. STEPHEN NICKEL MINES LTD.
(NO PERSONAL LIABILITY)

Schedule A

**DEVELOPMENT AND ADMINISTRATIVE EXPENSES
AS AT AUGUST 31, 1957**

Development Expenses:

Diamond Drilling	\$ 28,416.60	
Line, Cutting, Chaining	4,753.45	
Surveys	17,278.07	
Room, Board and Food	3,581.26	
Salaries and Wages	17,107.80	
Camp Supplies	542.19	
Travelling and Car Expenses	5,957.36	
Engineering Fees and Expenses	302.38	
Assays and Maps	2,326.54	
Recording and Renewals of Mining Claim	1,124.00	
Staking	1,916.82	
General Expenses	11,785.51	
		95,091.98

Administrative Expenses:

Office Expenses	8,611.25	
		\$103,703.23

Schedule B

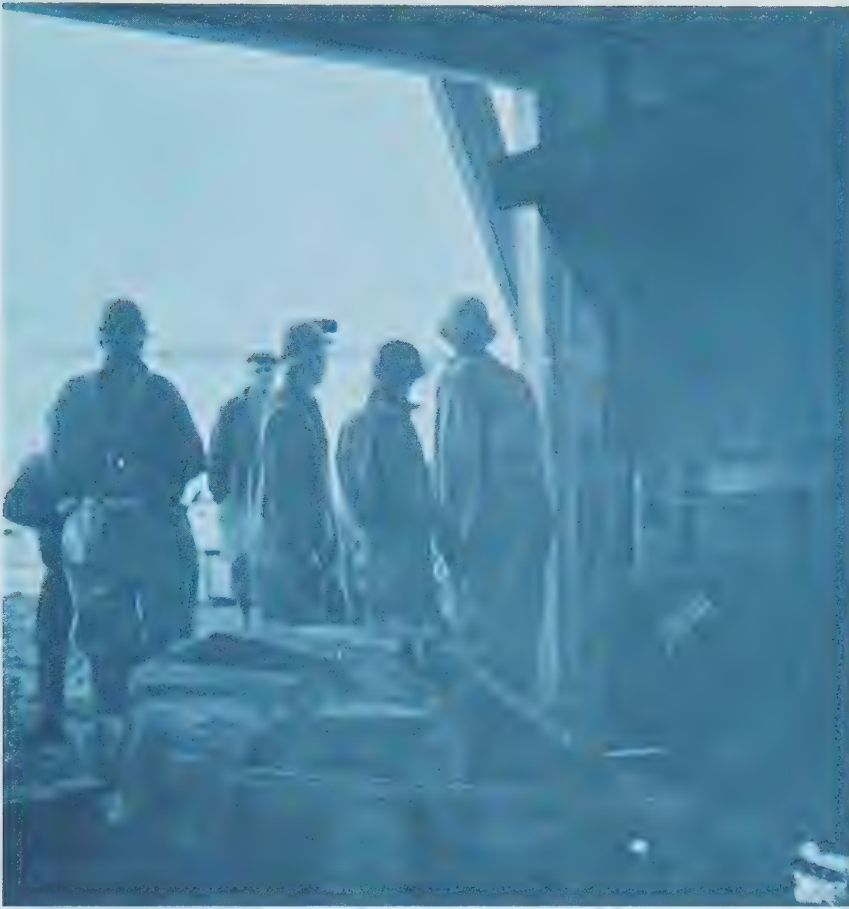
**DEVELOPMENT EXPENSES
FROM AUGUST 31, 1957 TO OCTOBER 15, 1959**

Plant Salaries Expenses	\$ 8,876.31
Diamond Drilling	119,599.49
Surveys	29,247.81
Travelling and Car expenses	5,149.05
Engineering fees and expenses	14,723.25
Assays and Maps	4,640.30
Recording of mining Claims	191.00
Taxes, fees, licences	3,390.00
Insurance	1,471.91
Workmen Compensation	200.00
Sign Display	333.01
	\$187,822.13

Schedule C

**ADMINISTRATIVE EXPENSES
FROM AUGUST 31, 1957 TO OCTOBER 15, 1959**

Office Expenses	\$ 989.23
Salaries, fees	8,505.00
Legal and Audit fees	2,438.50
Bank Charges	33.95
Travelling Expenses	7,582.50
Transfer Agents fees	4,804.89
Telephone	550.37
Rent	250.00
	\$ 25,144.44



Mr. R. F. Fry, supervising the shaft-sinking program, reports that his crews began sinking operations on November 9th. Following the initial one week "break-in period" work was increased to a three shift, seven day week schedule. It is expected that the sinking of the shaft to the 300 foot depth and the excavation of stations at the 150 and 250 feet levels will take seven weeks.





H. J. BERGMANN, P. ENG.

MINING ENGINEER

H. J. BERGMANN,
Consulting Engineer

November 13th, 1959.

The President and Directors,
St. Stephen Nickel Mines Ltd.,
St. John, N.B.

Dear Sirs,

The following is a brief summary report covering the progress made on your property in St. Stephen, N.B., from the inception of the Company to the present time. I cannot help but think back to March, 1957 when I supervised some preliminary geophysical surveys on this property for Stratmat Ltd., who then owned the ground. Now, slightly more than two years later I have just returned from the property where a complete mining plant and buildings have been installed and the sinking of a three compartment shaft is underway.

During the two years since your Company acquired the property, intensive exploration has been carried out and a good deal of money has been expended. This work has included geophysical surveys over the entire property together with a total of 31,148 feet of diamond drilling. This is essential work in developing a property and the results of the exploration program have been gratifying.

In excess of one million tons of ore grading 1.03% nickel and 0.47% copper has been outlined in three separate zones. This ore has a gross dollar value of \$17.84 per ton at present metal prices of 74¢ per lb. for nickel and 31¢ per lb. for copper. Cobalt and precious metals are expected to add approximately \$2.00 per ton to the value of the ore. A few years ago there was an acute shortage of nickel for industrial use and at this time some nickel was being sold for over \$1.00 per lb. This was particularly true in the European market which is the natural outlet for your ore products. At

present there is an increasing demand for nickel and there again appear to be good chances of negotiating contracts for nickel concentrates at premium prices in the near future.

The results of the property exploration indicated very widespread distribution of the mineralization and in addition to the ore mentioned above substantial tonnages of lower grade material were outlined. As a result of the favorable conditions indicated in the geophysical surveys additional acreage was acquired adjacent to the original property. The total area held by your Company consists of 7,173 acres and exploration is continuing to test the many electromagnetic anomalies indicated on the property. Every anomaly tested to date has shown the presence of nickel-copper mineralization and there are excellent chances of encountering additional orebodies on the property.

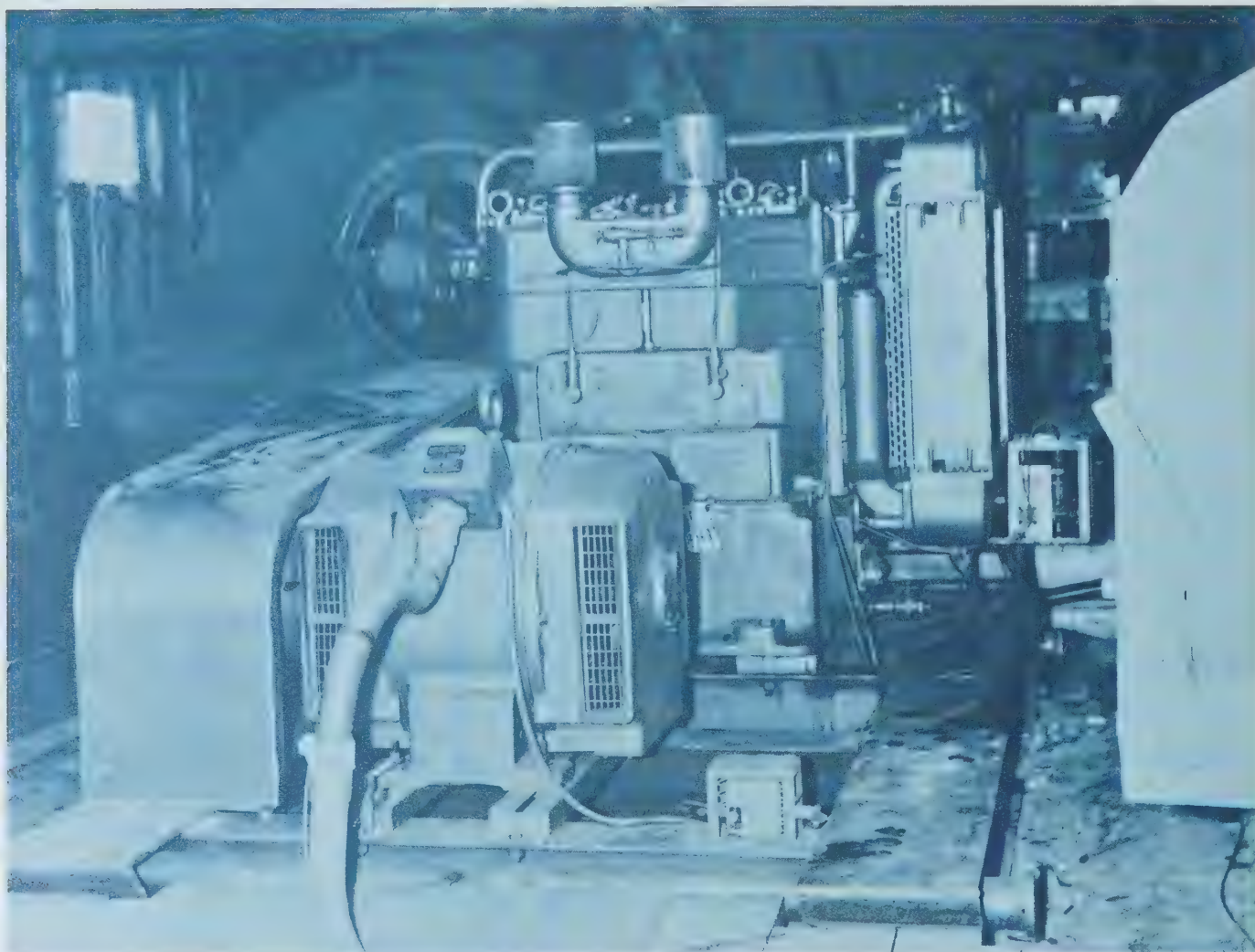
Shaft sinking has now commenced on the property and it will be carried initially to a depth of 300 feet and the ore zones will be developed on two levels. The object of this program is to develop the ore underground and extensive underground drilling will be carried out to increase the ore reserves and determine the size of production plant required. It is expected that ore news will be forthcoming from the Rogers Farm zone by January.

Metallurgical studies are being carried out to determine the most economical process for treatment of the ore. Initially a concentrate will be obtained and two alternatives are being studied for further treatment of the concentrates at the mine site. Such a plan could greatly increase the Company profits and would also allow the treatment of a lower grade of ore which would thus increase the ore reserves on the property.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'H. J. Bergmann', with a stylized, flowing script.

H. J. Bergmann
Consulting Engineer



Above: Some of the machinery used in the development of the mine; the compressors in the foreground have a capacity of 500 cfm. An operator behind controls the hoisting machinery which moves miners and ore to and from the shaft. Below: A panoramic view of the company's property showing the headframe, compressor house, hoist room and changehouse for the miners.



B. BOURGOIN,
Resident Geologist



St. Stephen, N.B.,
November 13, 1959.

The Directors,
St. Stephen Nickel Mines Ltd.,
Saint John, N.B.

Dear Sirs:

Past and present geological investigations have revealed the greater portion of the company's property to consist of a gabbro complex. Also that part of this rock clan in much like the norite host of the Sudbury nickel ores.

Structural controls are not well defined because of the lack of surface exposures. However four miles of favorable contact exists on the property between the gabbro and the older ordovician sediments. Sediment remnants within the gabbroic mass are also closely associated with and believed to be favorable ore deposition locals. Other favorable structures such as lines of weakness probably exist as pointed out by no less than the finding of over twelve mineralized zones to date that have a north - south strike and a vertical or near vertical dip. These weak linear probably served as channel ways for the mother liquors that carried and deposited the present known minerals.

Megascopic and microscopic, along with X-ray examinations, have been in progress for some time at the University of New Brunswick in order to establish a relation between the sulphides and the different host rocks. To date it shows the gabbro as having been subjected to dynamic stresses that have partially shattered the rock and provided the necessary channels for hypothermal solutions to migrate. The pyrrhotite FeS containing the nickel ore pentlandite FeNiS_4 , and the secondary mineral violarite FeNi_2S_4 , have replaced the rock extensively, particularly the ferromagnesians. The pyrrhotite is commonly massive and some wide zones are disseminated. Shortly following the pyrrhotite was the introduction of the copper ore chalcopyrite CuFeS_2 .

Concentrated studies will be made of the ore with the availability of fresh samples from the underground workings. In the meantime a diamond drill is at work to evaluate the merits of a number of unexplored geophysical anomalies.

Respectfully submitted,

B. Bourgoin

B. Bourgoin,
Resident Geologist.



K. D. THOMSON,
Resident Engineer

St. Stephen, N.B.,
November 12, 1959.

The Directors,
St. Stephen Nickel Mines,
Saint John, N.B.

Dear Sirs:

The sinking of the 300 foot shaft at St. Stephen Nickel Mines is now underway. The operations will reach top efficiency by the end of this week November 13th, and will proceed on a round the clock basis.

During the past two months a modern mining plant has been installed. A 54" x 48" double drum mine hoist was set up and put in operation. Compressed air is supplied by two 500 cfm air compressors. A 70 foot headframe with ore bin and other auxiliary equipment was installed. A changehouse, compressor house and hoistroom were constructed. Water is supplied to the plant by pumping it through a 1600 foot buried pipe into a 3000 gallon tank. Primary power is obtained from New Brunswick Hydro, a total of 400 horsepower being available.

It is expected that the sinking of the shaft and the excavation of stations at the 150 and 250 foot levels will take seven or eight weeks. Following the completion of the shaft, three weeks drifting will be required to reach the ore zone.

Respectfully submitted,

K. D. Thomson

K. D. Thomson
Manager

R. F. FRY & ASSOCIATES LIMITED

MINING CONTRACTORS

QUARRYING, SHAFT SINKING AND UNDERGROUND DEVELOPMENT



R. F. FRY,
President, R. F. Fry & Associates Limited

November 12, 1959.

Directors,
St. Stephen Nickel Mines Ltd.,
ST. STEPHEN, N.B.

Gentlemen:

As of November 9th, 1959, our crews commenced sinking operations at your property located in Charlotte County, St. Stephen, N.B. For the first week of operations, we plan on working two eight hour shifts to give the service crew opportunity to adjust the machinery installations.

After the first week of operations or "break in period" our crews will be increased to work three eight hour shifts per day, seven days a week, until completion of shaft and every effort will be made to maintain a daily advance of approximately 10 feet.

The efficient compact mining plant your Company have installed to do the development work planned is a credit to your engineers in charge of operations and should greatly assist our crews to complete the proposed development progress in good time.

At the present time, our organization has eight major operations going across Canada. We are shaft sinking for a large Uranium Mine in Beaverlodge, Sask., Nickel mining in Sudbury, Ont., Iron Mining in Temagami, Ont., an open pit operation in Goudreau, Ont. for a large Iron Ore Company, plus underground production mining for two well known Companies who contract out ore bodies of 200,000 tons or less, rather than mine themselves.

We take pleasure in working with your Company and your experienced mining staff and will endeavour to perform our duties in an efficient workmanlike manner.

Yours very truly,
R. F. FRY & ASSOCIATES LIMITED,



R.F. Fry,
President.

